

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Executive Register

74-4881/9

Noted by D.C.I.

9/4/74

AUG 28 1974

Honorable William E. Colby
Director of Central Intelligence
Washington, D. C. 20505

Dear Bill:

With the assistance of the many elements of the OMB staff that are concerned with international economic policy issues, I have reviewed the 1975 Key Intelligence Questions covering international economics. I believe they cover most appropriately the important international economic concerns that we will face during 1975 and on which I would like to be kept informed.

Central to our concerns, as noted in the KIQs, is the economic performance of the major non-Communist industrial countries and their economic policy responses. This is, of course, a fundamental question and will largely shape the state of the world economy in 1975. It may, however, be too broadly stated to focus on the central issue which, we believe, is whether the major countries will lapse or be forced into a mutually destructive set of "beggar-thy-neighbor" policies that threaten to reverse the trend of world economic integration with possible adverse political/military as well as economic implications for the U. S. Within the broader economic projections for these countries, it would be useful for me if economic reporting and analysis were focused on the following types of specific problems:

(a) probable unemployment levels - in aggregate and by sector - and likely corrective actions;

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EXEMPTION CATEGORY ... 5B (2)
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Not referred to OMB. Waiver
applies.

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Routing Slip

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI		X		
2	DDCI		X		
3	S/MC				
4	DDS&T				
5	DDI		X		
6	DDM&S				
7	DDO				
8	D/DCI/IC	X			
9	D/DCI/NIO		X		
10	OGC				
11	OLC				
12	IG				
13	Compt		X		
14	D/Pers				
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16	DTR				
17	Asst/DCI				
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SUSPENSE 5 September 1974

Date

Remarks:

Response for DCI signature. Please coordinate with DDI and NIO.

Executive Secretary

28 August 1974

(b) likely adverse price developments and necessary corrective actions;

(c) financial stability and policies affecting capital flows; and

(d) restrictive trade policies on the import side and likely export promotion drives.

Conversely, with respect to the question on the major LDCs, I believe it is rather narrowly framed in terms of the impact of import and export prices on their economies. Although these changes will be a major determinant of their economic performance, many other factors such as growth rates in the rest of the world, capital flows, trade and aid policies will also have a major impact. Hopefully, these other factors can be included as part of the broader question of the impact of the world economy on the economic performance of the LDCs, their likely policy responses, and the impact on U. S. interests. In effect, this broader question would provide the same overview for the major LDCs that the above question provides for the major industrialized countries.

In addition, I view the international oil situation as a world market problem that could be affected by the energy policies of non-OPEC countries. I believe this KIQ should also discriminate between the production/marketing policies of the exporting countries and those of the exporting companies.

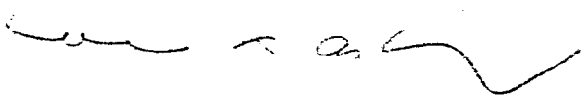
In the longer term, I see the need for a clearer understanding of the dynamics of the political-economic decision-making process in the major industrial nations. It appears to be a fruitful area for longer-range analysis and one where the CIA could make an extremely valuable contribution.

I would find it useful periodically to receive a brief status report on the progress of the Intelligence Community in meeting these international economic KIQs and to exchange views on the changing policy perspectives during the course of the coming

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year as they may affect the Community's tasks. If you agree, I would appreciate a very informal quarterly session between us and our staffs to review progress and pinpoint changes in the environment.

Sincerely,



Roy L. Ash
Director

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OFFICIAL BUSINESS